

# AGCO

Alcohol and Gaming Commission  
of Ontario



**ANNUAL REPORT**  
**2000 - 2001**

# CAJO

Commission des alcools et des jeux  
de l'Ontario

**RAPPORT ANNUEL**  
**2000 - 2001**

# **Alcohol and Gaming Commission of Ontario 2000 - 2001 Annual Report**

**MEMORANDUM TO:** The Honourable Norman Sterling, MPP  
Minister  
Ministry of Consumer and Business Services

**FROM:** G.R. (Randy) Barber  
Chair  
Alcohol and Gaming Commission of Ontario

---

I am pleased to present the 2000-2001 Alcohol and Gaming Commission of Ontario Annual Report.

G.R. (Randy) Barber  
Chair  
December, 2001

## TABLE OF CONTENTS

Message from the Chair	3
Message from the Chief Executive Officer	4
Overview	5
Mandate, Mission and Vision	
Key Activities	
2000-2001 Operational Overview	7
Licensing & Registration	
Investigation, Enforcement and Compliance	
Operational Efficiencies and other Highlights	
Legal	
Performance Measures	12
AGCO Board of Directors	13
Program Delivery	14
APPENDICES:	
Gaming:      Legal Framework	18
Criminal Code of Canada	
<i>Gaming Control Act, 1992</i>	
Order-in-Council 2688/93	
Authority for Lottery Licensing	
Ontario Gaming Relationship Chart	
Alcohol:      Legal Framework	21
<i>Liquor Licence Act</i>	
<i>Wine Content and Labelling Act, 2000</i>	
Financial Information:      Fiscal year 2000 - 2001	22

## MESSAGE FROM THE CHAIR.....December 2001

I would first like to thank my predecessor Ian McPhail, Q.C., for his leadership as Chair during the reporting period covered in this report. It was an exciting and challenging year for the agency, one filled with meaningful achievements that enhance the delivery of fair and effective regulation.

In recent years, the Courts have raised the standards expected of administrative tribunals. In line with that trend, we have made changes to our hearings process to emphasize openness and transparency, and to maintain a fair balance between the Registrar and licensees on disciplinary matters, within our public interest mandate. We are examining every aspect of our hearings process to improve turnaround times in scheduling and holding hearings, and rendering decisions.

We have in this fiscal year taken some major steps to increase customer service.

Among the most significant was the launching of our Internet website. This site contains comprehensive information, in English and French, about alcohol and gaming practices administered by the AGCO. We can be reached at [www.agco.on.ca](http://www.agco.on.ca).

Of special interest is that visitors to our website can now download or fill-out on screen the various application and/or registration forms required under the *Gaming Control Act 1992* and the *Liquor Licence Act*.

We believe that regulation, when administered with fairness and transparency, enhances competitiveness and promotes the public interest - goals that will continue to be reflected in how and what we do.

There is much more to be done. But I believe that the employees and directors of the AGCO can be proud of their accomplishments.

G.R. (Randy) Barber  
Chair

## MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Fiscal 2000-2001 marked another challenging year for the Alcohol and Gaming Commission of Ontario (AGCO). As the regulator of the alcohol and gaming industries, the AGCO strives to be fair, accessible, responsive, and service-oriented.

The AGCO has faced significant industry expansion since it was formed in February of 1998. We have undertaken a number of major initiatives including the regulation of 17 new gaming facilities and licensing and regulation of the "brew-on-premise" industry. Notwithstanding these additional pressures, the AGCO has implemented changes to increase customer service levels and strengthen the overall enforcement regime for both alcohol and gaming. The restructuring of our liquor enforcement resources has streamlined operations, enhanced effectiveness and provided better co-ordination with other provincial and local agencies.

A considerable commitment was made to ensure the new regulatory framework for the "brew-on-premise" industry was introduced with a minimum of disruption for stakeholders. The purpose of regulating this industry is to ensure everyone is on a level playing field and to encourage the long-term viability of all U-Vin/U-Brew operators. Over 500 applications were received and processed by staff this year while maintaining service levels to client groups.

The addition of new gaming facilities added pressures to all areas of the Commission including licensing and registration, enforcement and compliance, and audit and electronic gaming. The challenge to accommodate these demands without compromising standards was successfully met.

Our stakeholders are critical to our success as exemplified by the progress made in keeping bingo a viable source of funds for thousands of charities. The Ontario Charitable Gaming Association and the Registered Gaming Suppliers of Ontario played a pivotal role in advancing significant changes.

I would like to thank our colleagues at the Ministry of Consumer and Business Services for their continued cooperation and advice. I would also like to thank our staff for their support and the Board of Directors for their guidance. Collectively we remain committed to making the AGCO a global leader in effective regulation.

*Duncan Brown*  
Chief Executive Officer

## OVERVIEW

The Alcohol and Gaming Commission of Ontario (AGCO) is a regulatory agency established February 23, 1998 under the *Alcohol and Gaming Regulation and Public Protection Act, 1996*. The AGCO reports to the Minister of Consumer and Business Services, and is responsible for administering the following:

- *Liquor Licence Act*
- *Gaming Control Act, 1992*
- *Wine Content and Labelling Act, 2000*
- Lottery Licensing Order-in-Council, 2688/93 (as amended)

### Mandate

- To regulate the sale, service, and consumption of beverage alcohol to promote moderation and responsible use; and
- To ensure that casino and charitable gaming is conducted in the public interest, by people with integrity, and in a manner that is socially as well as financially responsible.

### Mission

- Promote a supportive business climate through clear rules, streamlined procedures and options that allow for increased flexibility on the part of the industry.
- Ensure a balance between revenue-generation, economic growth and development, and critical regulatory controls.
- Emphasize front-line activities and make client service and satisfaction an integral part of operations.
- Ensure that fairness to all partners and stakeholders is a major consideration in the development, application and enforcement of programs, policies and procedures.

### Vision

*To ensure the honesty, integrity and social responsibility of the alcohol and gaming industries through effective regulations which are fair, responsive and in the public interest.*

### Key Activities

#### Regulating Alcohol and Gaming Sector

- Licensing and regulating Ontario's establishments that sell or serve beverage alcohol, as well as administering the Special Occasion Permit programme, delivered through designated Liquor Control Board of Ontario stores.
- Licensing and regulating Ontario beverage alcohol manufacturers, their agents, and agents of foreign manufacturers.

- Licensing and regulating brew-on-premise facilities.
- Pre-approving beverage alcohol advertising.
- Registering commercial suppliers and gaming employees of charitable gaming events, casinos, charity casinos, and slot operations at racetracks.
- Administering, in partnership with municipalities, the regulatory framework governing the issuance of charity lottery licences (e.g., bingo events, raffles, and break open ticket events).
- Licensing games of chance at fairs and exhibitions.
- Approving rules of play or change to rules of play for games of chance conducted and managed by the Ontario Lottery and Gaming Corporation.
- Proposing to exclude and excluding persons from accessing gaming premises in the province of Ontario pursuant to the *Gaming Control Act, 1992* and its regulations.

### Inspecting and Monitoring

- Inspecting and monitoring licensed establishments to ensure compliance with the *Liquor Licence Act* and regulations.
- Inspecting and monitoring casinos, charity casinos, slot operations at racetracks and charitable gaming events/facilities for compliance with the *Gaming Control Act, 1992*, its regulations and licence requirements.
- Testing, approving and monitoring slot machines and gaming systems.

### Adjudication

- Conducting hearings on proposed disciplinary action under the *Liquor Licence Act* and the *Gaming Control Act, 1992*.
- Conducting hearings on Registrar's refusal to register or licence under the *Liquor Licence Act* and *Gaming Control Act, 1992*.
- Conducting compliance order hearings and hearings on the wine authority's refusal to grant an approval or suspend, revoke or refuse to renew an approval under the *Vintners Quality Alliance Act, 1992*.
- Conducting public interest hearings to determine eligibility for, or revocation of liquor licences where the public files objections in response to a public notice advising of the request for a licence or amendment thereof. These hearings take place in the community where there is opposition to a proposed liquor licence or amendment to same.
- In extraordinary circumstances, the Board conducts interim suspension motions to determine if a liquor licence should be immediately suspended pending a full hearing if the Board concludes such an interim suspension is required in the public interest.

## 2000 - 2001 OPERATIONAL OVERVIEW

### Licensing and Registration

**Number of active licences under the *Liquor Licence Act* and number of advertisements reviewed by AGCO for fiscal years 1999/2000 and 2000/2001 (including Special Occasion Permits issued by the Liquor Control Board of Ontario).**

**Liquor Licensing and Permits:** During 2000-2001, the number of licensees increased by approximately 9% compared to the previous fiscal year. Over one-third of this increase is attributed to the new licensing requirement for brew-on-premise facilities introduced in March 2000.

For Fiscal Years	1999/00	2000/01
Liquor Sales Licensed Establishments	16,755	17,630
Brew-on-Premise Facilities	0	569
Manufacturers	115	142
Manufacturer Representatives	461	474
<b>Total</b>	<b>17,331</b>	<b>18,815</b>
Alcohol Beverage Advertisements	4,542	6,135
Special Occasion Permits Issued	72,075	70,466

### Lottery licences issued by AGCO for fiscal years 1999/2000 and 2000/2001\*

**Lottery Licensing:** A total of 2,364 lottery licences were issued to eligible charitable or religious organizations to conduct and manage gaming events, including bingo, break open tickets and raffle events.

For Fiscal Years	1999/00	2000/01
Bingo	1,278	1,323
Break Open Ticket (BOT)	908	757
Raffle	170	163
Social Gaming Events	125	114
Other (e.g., merchandise bingo, wheel of fortune & bazaars)	6	7
<b>Total</b>	<b>2,487</b>	<b>2,364</b>

\* The municipalities issue the majority of licences issued throughout the province.



## Number of Gaming Registrations issued by AGCO for fiscal year 1999/00 and 2000/01

**Gaming Registrations :** During 2000-2001, the AGCO processed over 34,000 applications for registration.

For Fiscal Years	1999/00	2000/01
<b>Charitable Gaming</b>		
Bingo Halls, Gaming/Equipment Suppliers & Manufacturers	291	310
Break Open Ticket Seller	7,468	7,559
Gaming Assistants	6,065	5,047
<b>Sub – Total</b>	<b>13,824</b>	<b>12,916</b>
<b>Casinos, Charity Casinos &amp; Slot Machine Facilities</b>		
Gaming Suppliers	2,681	2,763
Gaming Employee	17,411	18,734
<b>Sub – Total</b>	<b>20,092</b>	<b>21,497</b>
<b>Total Registrations Issued</b>	<b>33,916</b>	<b>34,413</b>

## Investigation, Enforcement and Compliance

While maintaining service levels and regulatory oversight of Ontario's existing 13 gaming facilities, the AGCO staff facilitated the opening of 3 new charity casinos (includes 1 First Nation slot facility), 3 new slot operations at racetracks, and the renovations at Windsor Raceway.

Casinos, charity casinos and slot operations at racetracks are subject to *Gaming Control Act, 1992* regulatory requirements to maintain public confidence that gaming facilities are operated with honesty and integrity.

The AGCO has the responsibility to ensure that all gaming facilities, equipment and operations are in compliance with all regulatory requirements prior to a public opening. These requirements include registration of suppliers and employees, and approval for rules of play, gaming equipment, slot machines, chips and tokens, internal control systems, surveillance and security systems, credit, record keeping, and recording of large cash transactions.

*Over 27,000 electronic  
gaming devices tested*

Over 27,000 electronic gaming devices, including slot machines, were tested this year without disrupting day-to-day gaming facility operations or impeding revenue-generation. This is an increase of 20% from last year.

*Over 5,700  
occurrences investigated*

AGCO's Casino Enforcement Units investigated over 5,700 occurrences at the casinos, charity casinos and slot operations at racetracks during this fiscal year, in addition to assisting local police with non-gaming related investigations.

26,000 inspections

AGCO's Liquor Enforcement Section has inspected over 26,000 licensed establishments this fiscal year.

7,000  
investigations

The Corporate Investigations Section under the Investigations and Enforcement Bureau has conducted over 7,000 background investigations on gaming and gaming key employees this fiscal year.

During 2000-2001, seven (7) new/renovated gaming facilities met the regulatory requirements.

Racetracks	# of Slots	Location	Open to Public
* Clinton Raceway	100	Clinton	Aug. 26/00
* Flamboro Downs Raceway	752	Dundas	Oct. 13/00
Fort Erie Racetrack	1,200	Fort Erie	Sept. 11/99
* Hanover Raceway	100	Hanover	Feb. 21/01
Hiawatha Horse Park	450	Samia	May 10/99
Kawartha Downs Raceway	375	Peterborough	Nov. 24/99
Mohawk Raceway	750	Milton	Aug. 12/99
Rideau Carleton Raceway	1,250	Ottawa	Feb. 18/00
Sudbury Downs Raceway	325	Sudbury	Nov. 28/99
Western Fair	300	London	Sept. 30/99
Woodbine Raceway	1,700	Toronto	Mar. 29/00
** Windsor Raceway	750	Windsor	Dec. 16/98

Charity Casinos	# of Slots	# of Tables	Location	Open to Public
Brantford Charity Casino	450	45	Brantford	Nov. 19/99
* Great Blue Heron	450	40	Port Perry	May 5/00
* Point Edward Charity Casino	450	36	Point Edward	April 20/00
Sault Ste. Marie Charity Casino	450	31	Sault Ste. Marie	May 23/99
* Thunder Bay Charity Casino	450	14	Thunder Bay	Aug. 30/00

\* New gaming facilities

\*\* Windsor Raceway opened their new facility to the public on October 17, 2000 featuring 324 slot machines. The final phase, with an additional 426 slot machines, opened to the public on January 2, 2001 for a total of 750 slot machines.

## Operational Efficiencies and Other Highlights

### Restructuring

Last year the AGCO restructured its liquor enforcement resources by integrating the Inspections Branch into the Commission's Investigation and Enforcement Bureau. This new approach has provided for better co-ordination with other provincial and local agencies and improved focus on enforcement.

The integration facilitated the streamlining of operations and enhanced the effectiveness of the Commission's enforcement activities. During this fiscal year, the Liquor Enforcement Section has undertaken numerous joint forces operations throughout the province with local law enforcement agencies that subsequently resulted in an increased number of charges laid and/or administrative action taken.

### AGCO Training Unit

The AGCO continues to provide, through its Investigation and Enforcement Bureau, gaming training to AGCO staff, and specialized cheat-at-play apprehension training to Bureau members and officials from other gaming jurisdictions across North America. The Training Unit has two members of the OPP specialized in games of chance and certified as trainers. These members provide expert evidence for court cases and advice to AGCO staff and the AGCO Board on rules of play and casino games.

The training facility is equipped with gaming tables and a video surveillance system used to instruct in video taping requirements for court presentation. The facility has recently been equipped with slot machines to expand the scope of the training programs.

The unit, since opening, has provided over 140 training sessions on various table games, including Craps and Pai Gow Tiles, and sessions on slot machines.

### Bingo Review

The AGCO continues to work collaboratively with key bingo stakeholders that have established a bingo working group of charity and industry members seeking to maintain the viability of the bingo industry in the long run and enhance competitiveness with other forms of gaming.

During this fiscal year, the working group recommended a number of short-term options that would advance the group's focus on making bingo more viable and competitive with other forms of gaming. The recommended options implemented include:

- ▶ new rules to allow greater flexibility to bingo hall owners/operators and licensed charities to promote and advertise their bingo activities;
- ▶ introduction of pilot projects for new progressive games and hand-held personal bingo verifiers; and
- ▶ new rules for "table board bingo".

### Brew-on-Premise Facilities

The Registrar of Alcohol and Gaming assumed the responsibility for licensing the brew-on-premise sector.

All brew-on-premise facilities operating in Ontario as of September 30, 2000 were required to apply to the AGCO for a licence. The licensing requirement of brew-on-premise facilities was established under the *Liquor Licence Amendment Act, 1998* (Bill 57), which was proclaimed March 30, 2000.

Over 500 applications were received and processed by staff this fiscal year while maintaining service levels with all other client groups.

### **First Nations Gaming**

The AGCO has resources dedicated to liaise with First Nations organizations regarding gaming. Negotiations have concluded with 17 interested First Nations having been granted lottery-licensing authority comparable to municipal governments in terms of game types and prize levels.

### **AGCO Web Site**

In keeping with its commitment to service excellence, the AGCO launched a comprehensive web site that provides clients, and the general public, with timely and easily accessible information about relevant alcohol and gaming policies. Clients can download registration and licensing application forms, instruction sheets, and AGCO publications such as annual reports and newsletters. AGCO's web site can be found at [www.agco.on.ca](http://www.agco.on.ca).

### **Media Relations**

During this fiscal year, the AGCO handled over 500 media inquiries representing an increase of 11% compared to last fiscal.

### **Legal**

#### **Changes to Legislation....**

In fiscal 2000/2001, the following amendments to legislation affected the AGCO:

- Amendments to the *Gaming Control Act, 1992* proclaimed in force on April 1, 2000 to reflect the creation of the Ontario Lottery and Gaming Corporation (OLGC).
- The *Wine Content and Labelling Act, 2000*, and accompanying regulation 659/00, proclaimed in force January 1, 2001.



#### **Changes to Regulations....**

As part of the AGCO's continued review of regulations, the Board of the AGCO recommended to the Minister of Consumer and Business Services amendments to the *Liquor Licence Act* and *Gaming Control Act, 1992* and regulations. The following is a list of the highlights of regulatory changes made this fiscal year:

#### **Liquor Licence Act**

- In May 2000, the provincial government approved an amendment to Ontario Regulation 719 to allow the sale and service of beverage alcohol to patrons for consumption in the tiered seats at live concerts held at licensed stadiums and at live events held at specific outdoor concert venues.
- Ontario Regulation 311/00 was filed to permit sale and service of beverage alcohol in tiered seats at stadiums and Kingswood Music Theatre.

- › In June 2000, Ontario Regulation 373/00 was filed to extend, by three (3) months, the time limits for brew-on-premise operators to submit a licensing application.
- › Pursuant to a request made by the Minister of Natural Resources in June 2000, a regulation (O. Reg. 347/00) was filed prohibiting possession of beverage alcohol in Sibbald Point Provincial Park on Labour Day weekend.

#### **Gaming Control Act, 1992**

- › Amendments to regulations under the *Gaming Control Act, 1992* that are complementary to the *Ontario Lottery and Gaming Corporation Act, 1999* were filed as O. Reg. 208/00, 210/00 and 211/00, reflecting the creation of the OLG.

## **PERFORMANCE MEASURES**

### **Outcome/Goal:**

To protect the public interest in alcohol and gaming by promoting a fair, safe and informed marketplace.

Performance Measure	Target/Standards	2000/2001 Results
Percentage of charity gaming casinos with enhanced security and surveillance measures.	AGCO will ensure that appropriate staff approvals, security and surveillance are completed as charity casinos open and racetracks acquire slot machines.	Target met.
Increased industry compliance with regulatory requirements.	AGCO will ensure that due diligence is performed in a manner that facilitates a timely opening of charity casinos and the acquisition of slot machines by racetracks.	Target met. Fiscal 2000-01, Ontario Lottery and Gaming Corporation opened 3 charity casinos (includes 1 First Nation slot facility) and 3 racetrack slot facilities. AGCO ensured enhanced security and surveillance measures were in place.
Number of inspections of liquor licensed establishments and gaming venues to ensure compliance with respective regulatory requirements.	26,000 inspections annually.	Target met.
Ensure that brew-on-premise establishments are operating responsibly and in full compliance with <i>Liquor Licence Act</i> regulations.	100% of brew-on-premise establishments that have filed timely and accurate applications are licensed within twelve months of Cabinet approval of regulation.	Target met.

## BOARD OF DIRECTORS

The *Alcohol and Gaming Regulation and Public Protection Act, 1996* constitutes the AGCO as a corporation without share capital. It provides that the AGCO shall have a Board of Directors of at least five (5) members appointed by the Lieutenant-Governor-in-Council.

### Chair:

Ian D.C. McPhail, Q.C.  
(Toronto) - Lawyer  
*May 2000 - December 2001*

Breen Keenan  
(Sudbury) - Chartered Accountant  
*May 1999 - May 2002*

### Full-Time Vice Chair:

G.R. (Randy) Barber  
(Thornhill) - Businessman  
*February 1997 - March 2003*

Dr. Lynn Lightfoot  
(Oakville) - Psychologist,  
private practice with emphasis  
on treatment of addiction  
*February 1995 - February 2001*

### Part-Time Vice Chair:

Elaine Kierans  
(Toronto) - Lawyer, bilingual  
*May 1998 - May 2004*

William Liske  
(Brampton) - Lawyer  
*August 1998 - August 2001*

Joel Kuchar  
(Thornhill) - Lawyer  
*February 1997 - March 2003*

Eleanor Meslin  
(Toronto) - L.L.B.  
*November 2000 - November 2003*

John Rossetti  
(Woodbridge) - Chartered Accountant  
*May 1996 - April 2002*

Vaughan Minor  
(London) - Chartered Accountant  
*April 1998 - April 2004*

### Members:

Stephanie Ball  
(Whitby) - Lawyer  
*September 1997 - September 2003*

Dr. Mark Poudrier  
(North Bay) - Educator  
*February 1997 - March 2003*

Anne Guillemette  
(Welland) - Hotel General Manager, bilingual  
*March 1997 - March 2003*

Jeffery Steiner  
(Toronto) - Lawyer, Principal, venture capital  
consulting firm  
*November 2000 - November 2003*

Kirsti Hunt  
(Sudbury) - Educator, bilingual  
*March 1997 - April 2003*

Terence Young  
(Oakville) - President of a consulting firm  
specializing in public policy  
*March 2000 - March 2003*

## PROGRAM DELIVERY

### Chair and Board

The AGCO has a full-time Chair and Vice Chair, three (3) part-time Vice Chairs and eleven (11) part-time members.

The Board of Directors is responsible for strategic direction, accountability, and its duties under the Act. These include ensuring that the AGCO exercises its powers and duties in the public interest and in accordance with the principles of honesty and integrity and social responsibility.

The Board conducts required appeal and disciplinary hearings under the *Liquor Licence Act* and the *Gaming Control Act, 1992*. The Board also conducts public interest hearings to review applications for liquor licences where written objections to the issuance of a licence have been filed.

### Hearings Department

The Hearings Department is responsible for the administration and co-ordination of hearings before panels of the AGCO's Board.

### Gaming-Related Hearings

For Fiscal Years	1999/00	2000/01
Requests for Hearings	42	46
Hearings Held	37	27
Requests for Hearings Withdrawn	18	9
Decisions Issued	21	25

### Alcohol-Related Hearings

For Fiscal Years	1999/00	2000/01
Hearings	381	459
Decisions Issued:		
Licences revoked	15	12
Licences suspended	211	198
Conditions Imposed	52	49
Conditions Removed	2	4
Licences Issued	1	3
Licences Refused	17	13
Licences Withdrawn	1	7
Other	43	48

### Alcohol-Related Alternative Dispute Resolution

For Fiscal Years	1999/00	2000/01
Number of Public Meetings held pursuant to the <i>Liquor Licence Act</i>	94	103



## Chief Executive Officer

The Chief Executive Officer ("CEO") under the direction of the Board provides leadership and direction to the staff of the Commission through the Executive Committee.

The Executive Committee: shapes the values, principles and major operating policies that form the foundation of the AGCO; provides strategic direction and leadership to the various operating branches of the agency and ensures that the AGCO fulfills its regulatory mandate in an effective and efficient manner; provides advice to the Board for consideration; provides leadership and guidance to the annual agency business planning process in support of the government's fiscal and policy priorities; and presents the annual Business Plan for Board consideration and approval, all within and in support of ministry and government priorities.

## Corporate Issues and Information

This group provides strategic communication advice and services to the Commission, including management and co-ordination of corporate issues. The responsibilities of this group include: recommending and executing programs to manage stakeholder and media relations; providing stakeholder publications; and building an understanding and acceptance of organizational objectives and policy and program priorities through regular communication with staff.

## Legal Services Branch

The Legal Services Branch provides legal advice and opinions to the staff of the AGCO to assist them in carrying out their responsibilities. The Branch provides a broad range of legal services, including support to the Minister of Consumer and Business Services for legislative initiatives, drafting of contracts, assisting in the development of policy, providing advice on corporate issues such as Freedom of Information, Ombudsman, etc. The Branch reviews Notices of Proposal and represents the Registrar and Deputy Registrar at Board hearings. Legal counsel conducts prosecutions under the *Gaming Control Act, 1992* and *Liquor Licence Act*, and prepares appeals to Divisional Court and the Court of Appeal.

**Regulatory Approvals:** The Director of Legal Services liaises with casinos, charity casinos and slot machine facility operators on matters related to internal controls, and various approvals required under Regulation 385/99 of the *Gaming Control Act, 1992*. The regulations require that internal control systems, and security and surveillance systems are approved by the Registrar of Alcohol and Gaming prior to a gaming facility opening to the public. The Registrar also approves any subsequent change.

Internal control, security and surveillance standards are intended to ensure that: assets are safeguarded; the potential for fraud and error is minimized; criminal acts are deterred and detected; and financial records are accurate, reliable and prepared on a timely basis. In the absence of comprehensive regulatory standards governing internal controls, security and surveillance, revenue streams from casinos, charity casinos and slot machine facilities, the honesty and integrity of the gaming operation may be jeopardized.



## Licensing and Registration Branch

The Licensing and Registration Branch is responsible for gaming and alcohol licensing and registration functions, including policy development, research and liaison with AGCO's various liquor and gaming industry stakeholders, First Nations communities as well as local and internal agencies.

Staff reviews applications for liquor sales licences, manufacturer's and sales representative's licences, and brew-on-premise facility licences to determine eligibility for licensing. In addition, the Branch is responsible for the administration of the Special Occasion Permit programme, and pre-clearing all beverage alcohol advertising.

The Branch recently assumed responsibility for reviewing and processing requests for Board approval to allow the sale and service of beverage alcohol to patrons for consumption in the tiered seating at live concerts held at stadiums.

Staff also review applications to determine eligibility for lottery licence events under Order-in-Council 2688/93 (as amended) and registrations for gaming suppliers and gaming employees under the *Gaming Control Act, 1992*.

## Investigation and Enforcement Bureau



The Investigation and Enforcement Bureau is comprised of members of the Ontario Provincial Police (OPP) seconded to the AGCO, and Liquor Inspectors designated as Provincial Offences Officers for the purposes of the *Liquor Licence Act* and the *Gaming Control Act, 1992*.

The Bureau provides strategic enforcement that is targeted, proactive, and designed for maximum impact. Emphasis is placed on deterrence, as a component of prevention, to help ensure that the gaming and alcohol industries are operated honestly and are free from criminal elements and activity.

OPP investigators conduct criminal investigations in relation to gaming at casinos, charity casinos, slot machine facilities, and licensed gaming events, including investigations into alleged breaches of the *Gaming Control Act, 1992* and regulations. The investigators conduct background investigations on individuals and companies seeking registration under the Act, liaise with other law enforcement agencies exchanging intelligence information, and provide specialized support to local law enforcement agencies for gaming-related investigations. OPP investigators have specialized training in the rules of play of games of chance and in how the games can be compromised. They also provide round-the-clock policing presence at commercial casinos and charity casinos.

The Bureau also works independently as well as in partnership with police and local enforcement agencies in conducting *Liquor Licence Act* investigations at licensed premises. The Bureau monitors liquor licensed premises for compliance with the *Liquor Licence Act*; monitors individuals and organizations that manage, conduct or provide services to lottery schemes related to Break Open Tickets for compliance with the *Gaming Control Act, 1992*; and responds to, and investigates, all complaints of breaches of either the *Liquor Licence Act* or *Gaming Control Act, 1992* and regulations.

## Corporate Services Branch

Corporate Services Branch provides strategic advice and key support services to the Commission and its operating programs, including information technology, human resources (as well as the administration of the collective agreement), finance and administration, and business planning and revenue.

The Forensic Audit and Gaming Compliance section is part of Corporate Services and is responsible for ensuring the honesty and integrity of gaming operations within casinos, charity casinos and slot machine facilities. Auditors and compliance inspectors conduct scheduled and random audits for compliance with approved internal control policies, terms and conditions of registrations, and the *Gaming Control Act, 1992* and *Liquor Licence Act*.

## Electronic Gaming Branch

The Electronic Gaming Branch is responsible for ensuring slot machines are conducted and managed with honesty and integrity. The Branch tests and approves all new electronic gaming equipment, conducts random and scheduled inspections of approved electronic gaming equipment, and verifies slot machines and associated software when jackpots of \$30,000 or more are paid as per established procedures.



All random and scheduled tests and inspections of electronic gaming devices are completed without disrupting day-to-day casino operations or impeding revenue-generation. The purpose of the testing is to ensure that electronic gaming equipment is not susceptible to cheating and meets required standards of randomness, as well as software and hardware standards, thereby protecting gaming consumers from defective or compromised equipment. Testing also ensures the accuracy of slot machine management information systems. The functioning of this equipment is important in verifying that revenue is accurately recorded.

The Branch approves and inspects any changes to slot machines and associated equipment (progressive links, etc.) prior to re-introducing for patron play, and tests, approves and continuously reviews the computer systems linked to slot machines and other gaming-related systems such as Caribbean stud and progressive systems.

The Branch is also responsible for the development of electronic gaming standards and policies for the Province of Ontario.

## GAMING: Legal Framework

### *Criminal Code of Canada*



The *Criminal Code* (the "Code") establishes what types of gaming activities are legal, and the provinces are assigned responsibility for operating, licensing and regulating legal forms of gaming.

Part VII of the *Code* prohibits gaming in general, while Section 207 (1) allows for a number of exceptions to the general prohibition. Specifically, it permits "lottery schemes" provided that they are:

- "Conducted and managed" by the province in accordance with any law enacted by that province;
- "Conducted and managed" by a licensed charitable or religious organization, provided that the proceeds of the lottery scheme are used for a charitable or religious purpose; and
- "Conducted and managed" by a licensed board of a fair or exhibition or by an operator of a concession leased by that board.

"Lottery schemes" are defined under the *Code* but do not include: three-card monte, punch board or coin table; book-making, pool selling or the making or recording of bets; and games operated through a computer, video device or slot machine, unless the lottery scheme is managed and conducted by the province (Sec. 207(4)).

Only the government of a province can conduct and manage a lottery scheme involving dice, slot machines or other computer devices.

### *Gaming Control Act, 1992*

*Gaming Control Act, 1992* (formerly the *Gaming Services Act*), which was proclaimed in February of 1993, provides for the regulation of gaming operations, suppliers and gaming assistants/employees of casinos, charity casinos, slot machine facilities and charitable gaming events.

### Order-in-Council 2688/93 (as amended)

Order-in-Council 2688/93 (the "OIC") provides that charitable organizations may be licensed by either the Registrar under the *Gaming Control Act, 1992* (the "Registrar") or, depending on the type of charitable gaming event and the value of prizes to be awarded, a municipal council, to conduct and manage gaming events. The OIC outlines terms and conditions that apply to lottery licences. The OIC also provides that the Registrar may attach additional terms and conditions to any licences he or she issues, and that municipal councils may attach terms and conditions to licences they issue.

In order to qualify for a lottery licence, the organization must have a "charitable object or purpose". Charitable object or purpose is defined at common law and under the OIC as any object or purpose relating to:

- The relief of poverty;
- The advancement of education;
- The advancement of religion; or
- Any other purpose beneficial to the community.

Ontario is one of the largest charitable gaming markets in North America. The AGCO estimates money spent annually by the public on charitable gaming province-wide at approximately \$1.8 billion. Licensed charitable gaming in Ontario benefits thousands of local community charitable organizations. The AGCO estimates that charitable organizations in Ontario raised approximately \$304 million by holding licensed gaming events.

#### 2000 Estimate of Province-Wide Charitable Gaming Revenues

	Gross Wager	Net Revenues	Charity Profit
Bingos	\$1,100,000,000	\$268,000,000	\$165,000,000
Break Open Tickets	\$ 523,000,000	\$173,000,000	\$ 67,000,000
Raffles	\$ 181,000,000	\$111,000,000	\$ 72,000,000
<b>Total</b>	<b>\$1,804,000,000</b>	<b>\$552,000,000</b>	<b>\$304,000,000</b>

#### Authority for Lottery Licensing

Municipalities are partners with the AGCO in issuing lottery licences.

*The Order-in-Council provides municipalities with licensing authority for:*

- Bingo events, including table board bingo, with prizes of up to \$5,500;
- media bingo events with prizes up to \$5,500;
- break open tickets for local organizations;
- raffles up to \$50,000 in prizes; and
- bazaar lotteries which include: wheels of fortune with a maximum bet of \$2.00, raffles not exceeding \$500, and bingo events up to \$500.

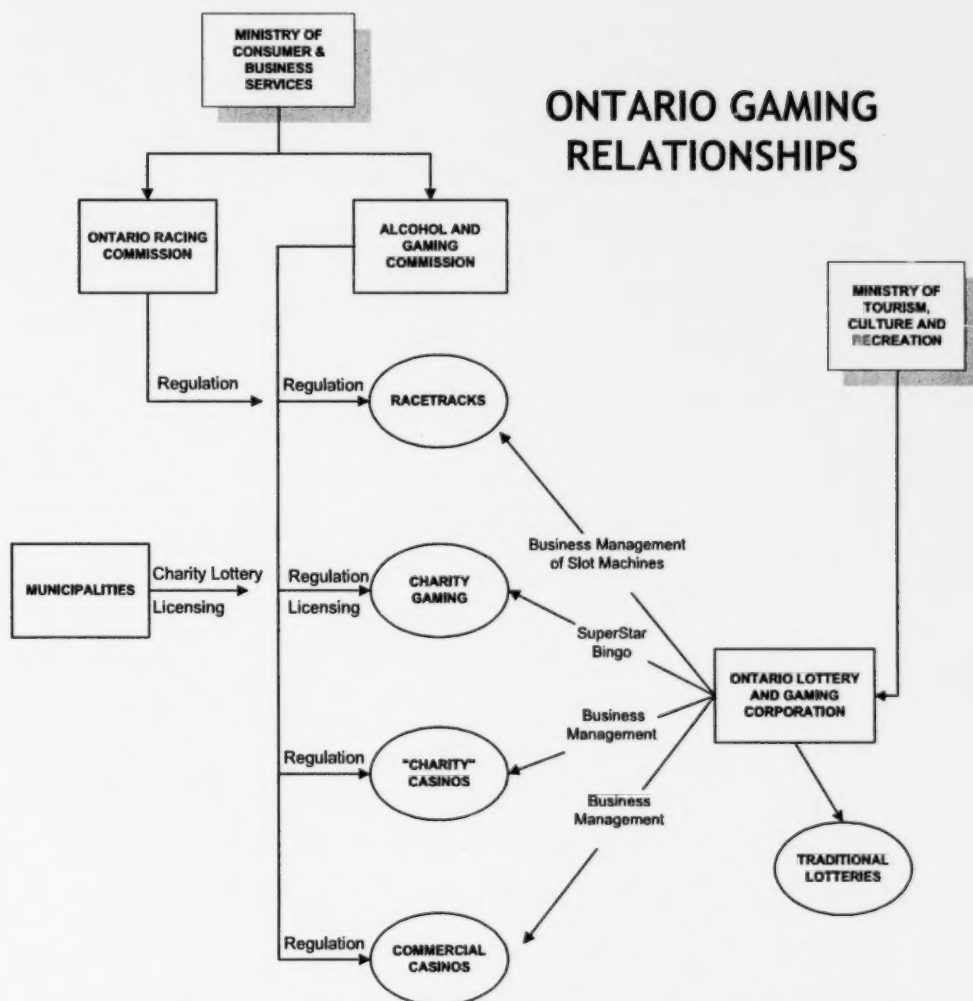
*The AGCO is the licensing authority for:*

- bingo events over \$5,500 in prizes;
- super jackpot bingo events;
- progressive bingo game events;
- social gaming events (i.e., table game event held in conjunction with a social event);
- raffles over \$50,000;
- break open tickets sold in conjunction with other gaming events;
- break open tickets sold by organizations with a provincial mandate;
- fairs and exhibitions; and
- lotteries held in unorganized territories.

The AGCO assists municipalities in exercising their authority by establishing the terms and conditions for each type of licence, providing direction regarding determining eligibility of organizations for licensing, as well as providing assistance with compliance and enforcement. Compliance staff handles many inquiries from municipalities seeking guidance on the interpretation of licensing policies and terms and conditions. In addition, compliance staff provide information and training sessions for municipalities, licensing officers, charities and suppliers.

#### First Nations Lottery Licensing

In 1998, the government approved a First Nations lottery-licensing framework, which delegates authority comparable to municipalities to individual First Nations. An Order-in-Council (OIC) is issued to each participating First Nation. The OIC provides First Nations with authority to issue licences to religious and charitable organizations to conduct lottery schemes.



The Alcohol and Gaming Commission is responsible for the regulation of casinos, charity casinos and slot machine facilities (i.e., slot operations at racetracks).

The Ontario Lottery and Gaming Corporation is responsible under the *Criminal Code of Canada* for the "management and conduct" of the gaming operations at commercial casinos, charity casinos, slot machine facilities and the linked SuperStar Bingo game played at charity bingo halls.

Municipalities are partners with the AGCO in issuing lottery licences – the majority of lottery licences are issued by municipalities in the province – primarily to religious and charitable organizations for bingo and break open ticket licences.

## ALCOHOL: Legal Framework

### *Liquor Licence Act*

The *Liquor Licence Act* establishes the licensing and regulating regime for the sale or service of beverage alcohol in Ontario (except for retail sale to the public by the Liquor Control Board of Ontario).



Various classes of licence are established including:

- licence to sell beverage alcohol;
- licence for brew-on-premise facilities;
- manufacturer's licence;
- licence to represent a manufacturer of beverage alcohol; and
- permits for the sale of beverage alcohol on special occasions called Special Occasion Permits (SOPs). For example, cash bars at fundraising events, weddings and receptions.

The *Liquor Licence Act* also establishes the basic rules for sale and service of beverage alcohol:

- no sale or service to persons under the age of 19;
- no sale or service to persons who appear to be intoxicated;
- no sale of beverage alcohol before 11:00 a.m. or after 2:00 a.m. (unless otherwise stipulated);
- no sale of illegal beverage alcohol; and
- where beverage alcohol may be consumed (residence, licensed premises, private place).

The *Liquor Licence Act* and regulations provides for an inspection and enforcement regime to ensure that licensees and permit holders are in compliance with the law and regulations relating to the sale and service of beverage alcohol.

The Regulations under the *Liquor Licence Act* also allow for the review and approval of all advertising for beverage alcohol.

### *Wine Content and Labelling Act, 2000*

The *Wine Content and Labelling Act, 2000* specifies that an Ontario winery can manufacture and sell wine in the province using imported grape or grape products. The Wine Council of Ontario is designated by regulation as the body to determine the quota of Ontario grapes and types of grape to be purchased by Ontario wineries.

If an Ontario winery chooses to use imported grapes or grape products in manufacturing its wine, the content of each brand of wine manufactured by the winery must be no less than 30% Ontario grapes or grape product. The regulations also stipulate the need for wineries using imported grapes or grape products in their wines to supply the Liquor Control Board of Ontario with a copy of each order, bills of lading and, upon request, samples of any imported grapes as well as to demonstrate proof on request of the purchase of their Ontario grape quota.

## FINANCIAL PERFORMANCE

The Alcohol and Gaming Commission of Ontario (AGCO) remits all revenues collected to the government's consolidated revenue account and operates within a separate budget allocation contained in the Ministry of Consumer and Business Services printed estimates.

In the fiscal year ending March 31, 2001, the AGCO managed all operating expenditures within its budget allocation.

### 2000/2001 FISCAL YEAR: REVENUES AND EXPENDITURES

	Fiscal Year Apr 1/99 to Mar 31/00	Fiscal Year Apr 1/00 to Mar 31/01
<b>REVENUES</b>		
Fees & Levies	\$587,326,625	\$568,306,872
<b>TOTAL</b>	<b>\$587,326,625</b>	<b>\$568,306,872</b>
<b>EXPENDITURES</b>		
Salaries and Benefits	\$27,382,410	\$29,044,939
Other Direct Operating Expenses	\$10,739,140	\$ 9,907,713
Less Recoveries	(\$1,675,515)	(\$1,662,170)
<b>TOTAL</b>	<b>\$36,446,035</b>	<b>\$37,290,482</b>

### Audit

The AGCO is subject to Ministry of Consumer and Business Services review and audit. In addition, the AGCO is subject to Provincial Audit and additional audits that the Minister may require.

